

**ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF WEBSTER CITY, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**CITY OF WEBSTER CITY, IOWA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014  
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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of City Council  
City of Webster City  
Webster City, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 4 through 11 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information included on pages 55 through 70 is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2015, on our consideration of the City of Webster City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Webster City's internal control over financial reporting and compliance.

  
Certified Public Accountants

Le Mars, Iowa  
February 6, 2015

**CITY OF WEBSTER CITY**  
Management Discussion and Analysis  
For the year ending June 30, 2014

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2014. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

**Financial Highlights**

- The City began accepting on-line payments for utility bills as well as the ability to view their bills and sign up for paperless invoicing.
- The City changed banks resulting in reduced service fees and increased interest earned by opening a money market through ICS which not only earned a higher interest rate than the previous checking but offered the same liquidity that a checking account would.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City of Webster City's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-

type activities of the City of Webster City include the operation of electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport authority for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 41 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, second street reconstruction fund and debt service fund, of which all are considered to be major funds. Data from the other 39 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual combined budget for all of its funds except private purpose trust funds and internal service funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

*Proprietary Funds:* The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting



device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City uses an internal service fund to account for self-insured dental/vision insurance. The internal service fund will be found in the governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

The largest portion of the City of Webster City's net position (63%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Position								
	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14
Current and other assets	\$ 10,900,819	\$ 11,386,650	\$ 28,814,712	\$ 25,742,803	\$ 39,615,531	\$ 37,129,453	\$ 471,153	\$ 3,534,846
Capital Assets,								
net of depreciation	28,623,478	28,071,103	26,166,658	30,637,619	54,790,136	58,708,722	30,660	29,820
Total Assets	39,524,297	39,457,753	54,981,370	56,380,422	94,305,667	95,838,175	501,813	3,564,666
Current and other liabilities	842,228	605,734	1,873,937	1,384,441	2,716,165	1,990,175	166,173	98,167
Non-current liabilities	4,684,837	4,115,820	20,490,202	19,486,145	25,175,039	23,601,965	-	-
Total Liabilities	5,527,065	4,721,554	22,364,139	20,870,586	27,891,204	25,592,140	166,173	98,167
Deferred Inflows of Resources	3,523,713	3,694,370	-	-	3,523,713	3,694,370	-	-
Net Position:								
Investment in Capital Assets	24,260,399	24,249,418	15,276,183	17,797,044	39,536,582	42,046,462	30,660	29,820
Restricted	4,182,582	2,622,510	1,850,126	558,272	6,032,708	3,180,782	-	-
Unrestricted	2,030,583	4,169,901	15,290,922	17,154,520	17,321,460	21,324,421	3,102,105	3,380,244
Total net position	\$ 30,473,519	\$ 31,041,829	\$ 32,417,231	\$ 35,509,836	\$ 62,890,750	\$ 66,551,665	\$ 3,132,765	\$ 3,410,064

An additional portion of the City of Webster City's net assets 4.8% represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net position (\$21,324,421) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate business-type activities.

*Statement of Activities.* The government's net position increased by \$2,663,190 during the fiscal year. Net position in the governmental activities increased by \$859,306. The key element in the governmental activity increase is a result of the conservative budgeting and the close monitoring of the expenditures and receipt of airport construction projects grants to ensure that the city maintain a strong financial position. Net position in the business type activities increased by \$1,803,884.

	City of Webster City's Changes in Net Position				Total		Component Units	
	Governmental Activities 6/30/2013	Governmental Activities 6/30/2014	Business Type Activities 6/30/2013	Business Type Activities 6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014
<b>Revenues</b>								
Program Revenues:								
Charges for Services	\$ 718,978	\$ 744,841	\$ 14,754,435	\$ 15,878,434	\$ 15,473,413	\$ 16,623,275	\$ 57,362	\$ 66,292
Operating Grants & Contributions	839,356	860,118	-	-	839,356	860,118	80,487	57,150
Capital Grants & Contributions	684,046	-	186,905	-	870,951	-	638,124	27,122
General Revenues:								
Property Taxes	3,546,377	3,553,874	-	-	3,546,377	3,553,874	-	57,841
Other Taxes	704,826	867,757	-	-	704,826	867,757	-	-
Other	301,522	393,137	153,294	228,028	454,816	621,165	456,805	464,866
<b>Total Revenues</b>	<b>6,795,105</b>	<b>6,418,727</b>	<b>15,094,634</b>	<b>16,106,462</b>	<b>21,689,739</b>	<b>22,626,189</b>	<b>1,232,778</b>	<b>673,271</b>
<b>Expenses:</b>								
Public Safety	2,156,392	2,136,353	-	-	2,156,392	2,136,353	-	-
Public Works	2,002,776	1,934,359	-	-	2,002,776	1,934,359	-	-
Health & Social Services	35,499	35,499	-	-	35,499	35,499	-	-
Culture & Recreation	1,218,869	1,311,945	-	-	1,218,869	1,311,945	-	-
Community & Economic Development	237,689	328,595	-	-	237,689	328,595	-	-
General Government	221,755	204,352	-	-	221,755	204,352	-	-
Interest & Fiscal Charges	149,951	149,501	-	-	149,951	149,501	-	-
Water Utility	-	-	1,479,388	1,532,591	1,479,388	1,532,591	-	-
Sewer Utility	-	-	1,340,719	1,322,323	1,340,719	1,322,323	-	-
Electric Utility	-	-	10,340,720	10,907,481	10,340,720	10,907,481	-	-
Component Units	-	-	-	-	-	-	1,257,126	395,972
<b>Total Expenses</b>	<b>6,022,911</b>	<b>6,100,604</b>	<b>13,160,827</b>	<b>13,762,395</b>	<b>19,183,738</b>	<b>19,862,999</b>	<b>1,257,126</b>	<b>395,972</b>
Increase in Position Before Transfers	772,194	319,123	1,933,807	2,344,067	2,706,001	2,663,190	(24,348)	277,299
Transfers	675,081	540,183	(675,081)	(540,183)	-	-	-	-
Increase in Net Position	1,447,275	859,306	1,258,726	1,803,884	2,706,001	2,663,190	(24,348)	277,299
Net Position - Beginning (Restated)	29,026,244	30,182,523	31,158,505	33,706,952	60,184,749	63,888,475	3,157,113	3,132,765
<b>Ending Net Position</b>	<b>\$ 30,473,519</b>	<b>\$ 31,041,829</b>	<b>\$ 32,417,231</b>	<b>\$ 35,509,836</b>	<b>\$ 62,890,750</b>	<b>\$ 66,551,665</b>	<b>\$ 3,132,765</b>	<b>\$ 3,410,064</b>

**Governmental Activities.** Governmental activities increased the City of Webster City's net position by \$859,306, thereby accounting for 32% of the total addition in the net position of the City of Webster City. Key elements of this increase were as follows:

Revenues and expenses remained consistent from year to year for both the governmental and business type activities except for the reduction of capital grant activity in both governmental and business type activities.

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
  - Purchase of equipment such as police cars.
  - The completion of various Street Improvement Projects.

The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,553,874 in property tax revenue, \$867,757 in other taxes, and \$860,118 in operating grants and contributions.

**Business-type Activities.** The net position of the business-type activities of the City of Webster City increased by \$1,803,884.

The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. This goal was obtained for all utilities for the year ending June 30, 2014.

The electric utility is the main function of the City of Webster City Business-type Activities making up 76% of the total revenue. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close. Rates are monitored in each of these utilities on an on-going basis to maintain their financial stability.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Webster City uses fund accounting to demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$6,532,558; with the prior year being \$5,801,076, the increase for this year was \$731,482. \$452,834 is nonspendable, \$2,189,008 is restricted, \$1,485,604 is committed, \$201,092 is assigned and \$2,204,020 is unassigned.

Revenues from the City's governmental funds totaled \$6,302,723 with taxes accounting for \$3,717,731 of that amount. Intergovernmental activities, including state and federal grants, represented another \$1,540,322 of the total governmental revenues.

Total expenditures for the governmental funds were \$6,311,356. The six main activities that make up these expenditures are public works \$1,323,756, public safety \$2,092,096, culture and recreation \$1,128,789, community and economic development \$329,317, capital projects \$515,392 and debt service \$685,221.

The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,100,115. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 93% of the total general fund expenditures.

The fund balance of the City of Webster City's general fund increased by \$416,062 during the current fiscal year, due primarily to transfers in from utility funds.

The debt service fund ended the year with a \$117,673 fund balance. The City intends to reduce this fund balance by reducing future tax levies.

*Proprietary Funds.* The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the electric utility totaled \$18,625,167, the water utility totaled \$10,965,813, and the sewer utility totaled \$5,918,856. The total change in net position for these three funds was \$907,879, \$491,471, and \$404,534 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

### **Governmental and Proprietary Funds Budgetary Highlights**

The City amended their budget one time during fiscal year 2014.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$58,708,722 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure.

Major capital assets events during the current fiscal year included the following:

- The completion of various Street Improvement Projects.
- The completion of the majority of the infrastructure for the new well.
- The continuation of the Neal #4 generating plant upgrades.
- The continuation of the conversion of overhead electric to underground.
- The purchase of a new bucket truck at the Line Department.
- The purchase of a new tandem dump truck at the Street Department.
- The runway relocation project at the airport.

City of Webster City's Capital Assets (Net of Depreciation)								
	Governmental Activities		Business Type Activities		Total		Component Units	
	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014
Land	\$ 4,588,598	\$ 4,542,508	\$ 773,273	\$ 524,223	\$ 5,361,871	\$ 5,066,731	\$ -	\$ -
Structures & Improvements	3,542,794	4,045,154	1,030,950	1,956,098	4,573,744	6,001,252	30,660	29,820
Improvements Other Than Structures	17,282,229	17,121,779	14,899,091	25,968,479	32,181,320	43,090,258	-	-
Machinery & Equipment	2,388,394	2,248,286	1,339,177	1,539,266	3,727,571	3,787,551	-	-
Construction in Progress	821,463	113,376	8,124,167	649,554	8,945,630	762,930	-	-
Total	\$ 28,623,478	\$ 28,071,103	\$ 26,166,658	\$ 30,637,619	\$ 54,790,136	\$ 58,708,722	\$ 30,660	\$ 29,820

**Long-term debt.** At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$23,160,131. Of this amount, \$1,875,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding liabilities includes an estimated liability for compensated absences and other post employment benefits. The total estimate for compensated absences is \$462,279 with \$252,431 being for governmental activities and \$209,848 being for business-type activities.

Total outstanding liabilities includes an estimated liability for compensated absences and other post employment benefits. The total estimate for compensated absences is \$462,279 with \$252,431 being for governmental activities and \$209,848 being for business-type activities.

	General Obligation and Revenue Bonds				Total	
	Governmental Activities		Business-type Activities		6/30/13	6/30/14
	6/30/13	6/30/14	6/30/13	6/30/14		
General Obligation Bonds	\$ 2,310,000	\$ 1,805,000	\$ 135,000	\$ 70,000	\$ 2,445,000	\$ 1,875,000
Revenue Bonds	2,035,662	2,001,445	20,120,000	19,283,686	22,155,662	21,285,131
Total	\$ 4,345,662	\$ 3,806,445	\$ 20,255,000	\$ 19,353,686	\$ 24,600,662	\$ 23,160,131

The City of Webster City's total long-term liabilities decreased by \$1,536,117 (including notes payable and compensated absences) during the fiscal year.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$22,129,241. With the General Obligation Debt being \$1,875,000 and the Tax Increment Debt being \$2,001,445, the City of Webster City is at 18% of the debt limit.

### **Economic Factors and Next Year's Budgets and Rates**

- In 2015/16, Webster City will experience an even larger impact from Electrolux by virtue of the factory being torn down. With that loss of assessed value, the City has lost about \$170,000 to \$200,000 a year in General Fund revenue. It appears that some of this loss will be mitigated by a general increase in assessed value of other properties in the City.
- The remainder of the loss to the General Fund is proposed to be addressed by a slight increase in the amount of water, sewer and electric funds transferred to the General Fund each year in what can be considered as either a "payment in lieu of taxes" or a franchise fee. It is anticipated that this will increase this year from 5% to 5.25%.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa increased from 30.12% in FY14 to 30.41% in FY15 but will then decrease to 27.77% for FY16.
- City contribution rates for Iowa Public Employees Retirement System of Iowa will remain the same at 8.93% in the regular class and 10.14% in the protection class in the FY15. The rate will decrease to 9.84% for FY16.
- The local option sales tax money is used by the City for infrastructure improvements which have included the water and sewer distribution as well as the paving of the roads. The water fund will now be used to pay for the water distribution portions of the Annual Street Improvement Project as well as other water distribution projects throughout the City.
- The City continues to work hard to bring new businesses and jobs to our community as well as help existing businesses grow and expand. We are seeing positive results from these efforts.

These factors, if known, were considered in doing the City of Webster City 2014/2015 Budget.

**Request for Information**

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Director, 400 Second Street, PO Box 217, Webster City, IA 50595.

**CITY OF WEBSTER CITY, IOWA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government			Component Units	
	Governmental	Business-Type		Webster City	Fuller
	Activities	Activities	Total	Airport Commission	Trust
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,803,043	\$ 11,519,415	\$ 18,322,458	\$ 196,904	\$ 124,502
Investments	950,000	1,550,000	2,500,000	-	3,077,860
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	66,908	1,224,496	1,291,404	585	200
Taxes	24,377	-	24,377	427	-
Subsequent Year Taxes	3,694,370	-	3,694,370	56,435	-
Accrued Interest	3,897	4,209	8,106	-	-
Notes Receivable	124,109	6,281,527	6,405,636	-	-
Internal Balances	(870,050)	870,050	-	-	-
Due from Other Governmental Agencies	204,987	-	204,987	77,933	-
Inventories	85,823	999,053	1,084,876	-	-
Prepaid Assets	151,110	75,176	226,286	-	-
Land Held for Resale	148,076	999,000	1,147,076	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	569,823	569,823	-	-
Investments	-	1,528,313	1,528,313	-	-
Accrued Interest Receivable	-	121,741	121,741	-	-
Land	4,542,508	524,223	5,066,731	-	-
Construction in Progress	113,376	649,554	762,930	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	23,415,219	29,463,842	52,879,061	-	29,820
<b>Total Assets</b>	<b>39,457,753</b>	<b>56,380,422</b>	<b>95,838,175</b>	<b>332,284</b>	<b>3,232,382</b>
<b>LIABILITIES</b>					
Accounts Payable	387,696	906,532	1,294,228	42,548	-
Accrued Wages	112,562	5,501	118,063	-	-
Other Accrued Expenses	81,919	4,447	86,366	-	-
Customer Deposits	-	225,397	225,397	-	-
Due to Other Governments	-	-	-	55,619	-
Claims Incurred But Not Reported	13,000	-	13,000	-	-
Compensated Absences and Benefits	-	109,272	109,272	-	-
Accrued Interest Payable	10,557	-	10,557	-	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	133,292	133,292	-	-
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	-	722,686	722,686	-	-
General Obligation Bonds	510,000	70,000	580,000	-	-
Compensated Absences and Benefits	128,213	-	128,213	-	-
Due in more than one year:					
Revenue Bonds Payable	2,001,445	18,576,201	20,577,646	-	-
General Obligation Bonds	1,310,240	-	1,310,240	-	-
Other Post Employment Benefits	41,704	16,682	58,386	-	-
Compensated Absences and Benefits	124,218	100,576	224,794	-	-
<b>Total Liabilities</b>	<b>4,721,554</b>	<b>20,870,586</b>	<b>25,592,140</b>	<b>98,167</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Subsequent Year Property Taxes	3,694,370	-	3,694,370	56,435	-
<b>NET POSITION</b>					
Net Investment in Capital Assets	24,249,418	17,797,044	42,046,462	-	29,820
Restricted for:					
Debt Service	111,999	558,272	670,271	-	-
Specific Tax Levies	288,783	-	288,783	-	-
Streets	1,782,552	-	1,782,552	-	-
Economic Development Activities	22,248	-	22,248	-	-
Endowments:					
Nonexpendable	416,928	-	416,928	-	-
Unrestricted	4,169,901	17,154,520	21,324,421	177,682	3,202,562
<b>Total Net Position</b>	<b>\$ 31,041,829</b>	<b>\$ 35,509,836</b>	<b>\$66,551,665</b>	<b>\$ 177,682</b>	<b>\$3,232,382</b>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 2,136,353	\$ 18,836	\$ 36,023	\$ -
Public Works	1,934,359	268,202	801,995	-
Health and Social Services	35,499	-	-	-
Culture and Recreation	1,311,945	342,997	21,676	-
Community and Economic Development	328,595	49,345	424	-
General Government	204,352	65,461	-	-
Debt Service	149,501	-	-	-
Total governmental activities	<u>6,100,604</u>	<u>744,841</u>	<u>860,118</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water System	1,532,591	2,008,188	-	-
Sewer System	1,322,323	1,793,211	-	-
Electric System	10,907,481	12,077,035	-	-
Total Business-Type Activities:	<u>13,762,395</u>	<u>15,878,434</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 19,862,999</u>	<u>\$ 16,623,275</u>	<u>\$ 860,118</u>	<u>\$ -</u>
Component Unit:				
Webster City Airport Commission	\$ 153,421	\$ 60,697	\$ 50,000	\$ 27,122
Fuller Trust	<u>\$ 242,551</u>	<u>\$ 5,595</u>	<u>\$ 7,150</u>	<u>\$ -</u>

General Revenues:  
Property Taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Interest and Investment Gains and Losses  
Gain on Disposition of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position  
Net Position - beginning  
Prior Period Adjustment  
Net Position - beginning, as restated  
Net Position- ending



Net (Expense) Revenue and Changes in Net Position				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Webster City Airport Commission	Fuller Trust
\$ (2,081,494)		\$ (2,081,494)		
(864,162)		(864,162)		
(35,499)		(35,499)		
(947,272)		(947,272)		
(278,826)		(278,826)		
(138,891)		(138,891)		
(149,501)		(149,501)		
<u>(4,495,645)</u>		<u>(4,495,645)</u>		
	\$ 475,597	475,597		
	470,888	470,888		
	<u>1,169,554</u>	<u>1,169,554</u>		
	<u>2,116,039</u>	<u>2,116,039</u>		
<u>(4,495,645)</u>	<u>2,116,039</u>	<u>(2,379,606)</u>		
			\$ (15,602)	\$ (229,806)
3,553,874	-	3,553,874	57,841	-
704,496	-	704,496	-	-
163,261	-	163,261	-	-
29,864	217,564	247,428	94	451,234
59,446	-	59,446	-	-
303,827	10,464	314,291	13,499	39
540,183	(540,183)	-	-	-
<u>5,354,951</u>	<u>(312,155)</u>	<u>5,042,796</u>	<u>71,434</u>	<u>451,273</u>
859,306	1,803,884	2,663,190	55,832	221,467
30,473,519	32,417,231	62,890,750	121,850	3,010,915
(290,996)	1,288,721	997,725	-	-
<u>30,182,523</u>	<u>33,705,952</u>	<u>63,888,475</u>	<u>121,850</u>	<u>3,010,915</u>
<u>\$ 31,041,829</u>	<u>\$ 35,509,836</u>	<u>\$ 66,551,665</u>	<u>\$ 177,682</u>	<u>\$ 3,232,382</u>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2014**

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,692,475	\$ 114,522	\$ 3,710,838	\$ 6,517,835
Investments	650,000	-	300,000	950,000
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	66,276	-	632	66,908
Taxes	13,927	3,151	7,299	24,377
Subsequent Year Taxes	1,835,318	556,961	1,302,091	3,694,370
Accrued Interest	1,229	-	2,668	3,897
Notes Receivable	-	-	124,109	124,109
Due from Other Funds	-	-	139,512	139,512
Due from Other Governmental Agencies	86,406	-	118,581	204,987
Inventories	28,651	-	57,172	85,823
Prepaid Assets	7,255	-	-	7,255
<b>Total Assets</b>	<b>5,381,537</b>	<b>674,634</b>	<b>5,762,902</b>	<b>11,819,073</b>
<b>Liabilities</b>				
Accounts Payable	149,919	-	82,857	232,776
Accrued Wages	111,804	-	758	112,562
Other Accrued Expenses	81,872	-	47	81,919
Due to Other Funds	35,710	-	973,852	1,009,562
<b>Total Liabilities</b>	<b>379,305</b>	<b>-</b>	<b>1,057,514</b>	<b>1,436,819</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Subsequent Year Property Taxes	1,835,318	556,961	1,302,091	3,694,370
Unavailable Revenue - Other	30,893	-	124,433	155,326
<b>Total Deferred Inflows of Resources</b>	<b>1,866,211</b>	<b>556,961</b>	<b>1,426,524</b>	<b>3,849,696</b>
<b>Fund Balances</b>				
Non-Spendable:				
Inventories	28,651	-	-	28,651
Prepaid Expenses	7,255	-	-	7,255
Permanent Fund	-	-	416,928	416,928
Restricted:				
Specific Tax Levy	-	117,673	288,783	406,456
Streets	-	-	1,782,552	1,782,552
Committed:				
Police Activities	-	-	4,620	4,620
Economic Development Activities	-	-	1,428,578	1,428,578
Community Development Activities	-	-	52,406	52,406
Assigned:				
Capital Projects	-	-	201,092	201,092
Unassigned	3,100,115	-	(896,095)	2,204,020
<b>Total Fund Balances</b>	<b>3,136,021</b>	<b>117,673</b>	<b>3,278,864</b>	<b>6,532,558</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,381,537</b>	<b>\$ 674,634</b>	<b>\$ 5,762,902</b>	<b>\$ 11,819,073</b>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 15)		\$ 6,532,558
Infrastructure, property, equipment and land held for resale used in governmental activities are not financial resources and, therefore, are not reported in the funds.		28,219,179
Internal service funds are used by management to fund and maintain the City's medical/flex costs provided to user departments and are included in the statement of net position.		75,584
Assets such as notes receivables and property taxes are not available to pay for current period expenditures and therefore are deferred in the funds.		155,326
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		143,855
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(10,557)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (1,820,240)	
Revenue Bonds	(2,001,445)	
Compensated Absences	(252,431)	
		(4,074,116)
Total Net Position - Governmental Activities (page 12)		<u>\$ 31,041,829</u>

**CITY OF WEBSTER CITY, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes	\$ 2,026,847	\$ 439,773	\$ 1,251,111	\$ 3,717,731
Licenses and Permits	114,338	-	-	114,338
Intergovernmental Revenue	33,832	-	1,506,490	1,540,322
Charges for Services	481,223	-	-	481,223
Fines and Forfeits	8,261	-	-	8,261
Contributions	14,470	-	10,968	25,438
Refunds/Reimbursements	48,068	111,804	4,000	163,872
Revenue from Use of Property	154,747	-	-	154,747
Interest on Investments	23,942	50	2,554	26,546
Miscellaneous	42,110	-	28,135	70,245
Total Revenue	2,947,838	551,627	2,803,258	6,302,723
Expenditures:				
Public Safety	1,448,200	-	643,896	2,092,096
Public Works	579,904	-	743,852	1,323,756
Health and Social Services	35,499	-	-	35,499
Culture and Recreation	967,887	-	160,902	1,128,789
Community and Economic Development	114,785	-	214,532	329,317
General Government	177,246	-	24,040	201,286
Capital Projects	-	-	515,392	515,392
Debt Service	-	685,221	-	685,221
Total Expenditures	3,323,521	685,221	2,302,614	6,311,356
Excess (deficiency) of revenues over expenditures	(375,683)	(133,594)	500,644	(8,633)
Other financing sources (uses):				
Proceeds from Sale of Capital Equipment	74,800	-	-	74,800
Transfers In	717,192	-	520,402	1,237,594
Transfers Out	(247)	-	(572,032)	(572,279)
Total other financing sources (uses)	791,745	-	(51,630)	740,115
Net Change in Fund Balance	416,062	(133,594)	449,014	731,482
Fund balances (Deficits)- beginning of year	2,719,959	251,267	3,074,756	6,045,982
Prior Period Adjustment	-	-	(244,906)	(244,906)
Fund balances - beginning of year (as restated)	2,719,959	251,267	2,829,850	5,801,076
Fund balances (Deficits) - end of year	\$ 3,136,021	\$ 117,673	\$ 3,278,864	\$ 6,532,558

**CITY OF WEBSTER CITY, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 17)	\$ 731,482
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 593,051		
Contribution & donation of capital assets	(125,132)		
Depreciation expense	(958,830)		(490,911)

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(15,354)
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	18,489
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Governmental funds report economic development notes receivable and property taxes as revenue when it becomes available, but the statement of activities includes these assets as revenue when originally issued.	(18,542)
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Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(5,674)
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	27,623
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Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities.	70,799
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount by which payments exceeded proceeds in the current year is as follows:

Premium on debt issuance	2,177		
Repayments of long-term debt	539,217		541,394

Change in net position of governmental activities (page 14)	\$ 859,306
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**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Business Type Activities</b>				<b>Governmental Activities</b>
	<b>Water System</b>	<b>Sewer System</b>	<b>Electric System</b>	<b>Total</b>	<b>Internal Service</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 3,815,936	\$ 1,156,165	\$ 6,547,314	\$ 11,519,415	\$ 285,208
Investments	150,000	-	1,400,000	1,550,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	188,509	170,436	865,551	1,224,496	-
Accrued Interest	1,118	-	3,091	4,209	-
Notes Receivable	-	-	6,281,527	6,281,527	-
Due from Other Funds	-	-	870,050	870,050	-
Inventories	124,667	43,439	830,947	999,053	-
Prepaid Assets	24,181	13,788	37,207	75,176	-
Land Held for Resale	-	-	999,000	999,000	-
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	227,014	342,809	-	569,823	-
Investments	-	-	1,528,313	1,528,313	-
Accrued Interest Receivable	-	-	121,741	121,741	-
<b>Total Current Assets</b>	<b>4,531,425</b>	<b>1,726,637</b>	<b>19,484,741</b>	<b>25,742,803</b>	<b>285,208</b>
<b>Noncurrent Assets</b>					
Land	260,885	38,903	224,435	524,223	-
Construction in Progress	541,156	7,367	101,031	649,554	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	8,844,883	5,938,631	14,680,328	29,463,842	-
<b>Total Noncurrent Assets</b>	<b>9,646,924</b>	<b>5,984,901</b>	<b>15,005,794</b>	<b>30,637,619</b>	<b>-</b>
<b>Total Assets</b>	<b>14,178,349</b>	<b>7,711,538</b>	<b>34,490,535</b>	<b>56,380,422</b>	<b>285,208</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	158,662	25,535	722,335	906,532	154,920
Accrued Wages	1,328	1,260	2,913	5,501	-
Other Accrued Expenses	350	249	3,848	4,447	-
Customer Deposits	-	-	225,397	225,397	-
Claims Incurred But Not Reported	-	-	-	-	13,000
Compensated Absences and Benefits	25,885	20,538	62,849	109,272	-
<b>Payables from Restricted Assets:</b>					
Accrued Revenue Bond Interest	5,909	5,642	121,741	133,292	-
<b>Total Current Liabilities</b>	<b>192,134</b>	<b>53,224</b>	<b>1,139,083</b>	<b>1,384,441</b>	<b>167,920</b>
<b>Noncurrent Liabilities:</b>					
Due within one year:					
Revenue Bonds Payable	140,000	446,000	136,686	722,686	-
General Obligation Bonds	70,000	-	-	70,000	-
Due in more than one year:					
Revenue Bonds Payable	2,785,000	1,271,000	14,520,201	18,576,201	-
General Obligation Bonds	-	-	-	-	-
Other Post Employment Benefits	3,210	3,414	10,058	16,682	41,704
Compensated Absences and Benefits	22,192	19,044	59,340	100,576	-
<b>Total Noncurrent Liabilities</b>	<b>3,020,402</b>	<b>1,739,458</b>	<b>14,726,285</b>	<b>19,486,145</b>	<b>41,704</b>
<b>Total Liabilities</b>	<b>3,212,536</b>	<b>1,792,682</b>	<b>15,865,368</b>	<b>20,870,586</b>	<b>209,624</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	6,651,924	4,267,901	6,877,219	17,797,044	-
Restricted for:					
Debt Service	221,105	337,167	-	558,272	-
Unrestricted	4,092,784	1,313,788	11,747,948	17,154,520	75,584
<b>Total Net Position</b>	<b>\$10,965,813</b>	<b>\$5,918,856</b>	<b>\$18,625,167</b>	<b>\$35,509,836</b>	<b>\$ 75,584</b>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,992,258	\$ 1,790,753
Miscellaneous	15,930	2,458
<b>Total Operating Revenue</b>	<u>2,008,188</u>	<u>1,793,211</u>
<b>Operating Expenses:</b>		
General Government	-	-
Operating and Maintenance	1,258,932	965,868
Depreciation	194,851	302,631
<b>Total Operating Expenses</b>	<u>1,453,783</u>	<u>1,268,499</u>
<b>Operating Income (Loss)</b>	554,405	524,712
<b>Non-Operating Income (Expense):</b>		
Interest Income	4,053	699
Gain (Loss) on Disposition of Property	(2,517)	(2,208)
Revenue from Use of Property	-	-
Interest Expense	(76,291)	(51,616)
<b>Total Non-Operating Income (Expenses)</b>	<u>(74,755)</u>	<u>(53,125)</u>
<b>Income (Loss) before Contributions and Transfers</b>	479,650	471,587
<b>Other Financing Sources (Uses)</b>		
Contributed Capital Revenue	108,068	17,064
Transfers (Out)	(96,247)	(84,117)
<b>Total Other Financing Sources (Uses)</b>	<u>11,821</u>	<u>(67,053)</u>
<b>Change in Net Position</b>	491,471	404,534
Net Position (Deficit)- Beginning	10,562,242	5,528,972
Prior Period Adjustment	(87,900)	(14,650)
Net Position (Deficit) - Beginning, as Restated	<u>10,474,342</u>	<u>5,514,322</u>
<b>Net Postion - Ending</b>	<u>\$ 10,965,813</u>	<u>\$ 5,918,856</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 10,694,273	\$ 14,477,284	\$ -
1,382,762	1,401,150	76,101
<u>12,077,035</u>	<u>15,878,434</u>	<u>76,101</u>
-	-	5,302
9,514,026	11,738,826	
663,573	1,161,055	
<u>10,177,599</u>	<u>12,899,881</u>	<u>5,302</u>
1,899,436	2,978,553	70,799
212,812	217,564	-
-	(4,725)	-
10,464	10,464	-
(729,882)	(857,789)	-
<u>(506,606)</u>	<u>(634,486)</u>	<u>-</u>
1,392,830	2,344,067	70,799
-	125,132	-
(484,951)	(665,315)	-
<u>(484,951)</u>	<u>(540,183)</u>	<u>-</u>
907,879	1,803,884	70,799
16,326,017	32,417,231	4,785
1,391,271	1,288,721	-
<u>17,717,288</u>	<u>33,705,952</u>	<u>4,785</u>
\$ <u>18,625,167</u>	\$ <u>35,509,836</u>	\$ <u>75,584</u>

See Accompanying Notes to Financial Statements



**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 2,018,946	\$ 1,806,831
Cash Paid to Suppliers for Goods and Services	(829,361)	(632,945)
Cash Paid to Employees for Services	(552,708)	(449,597)
Other Nonoperating Income	-	-
Net Cash Provided by Operating Activities	<u>636,877</u>	<u>724,289</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(1,000,874)	(184,052)
(Increase) in Notes Receivable	-	-
Principal Paid on Notes and Bonds	(205,000)	(423,000)
Interest Paid on Notes and Bonds	(75,616)	(46,810)
Net Cash (Used) for Capital and Related Financing Activities	<u>(1,281,490)</u>	<u>(653,862)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers to Other Funds	(96,248)	(84,117)
Due From (To) Other Funds	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>(96,248)</u>	<u>(84,117)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	-	-
Interest and Dividends on Investments	3,095	699
Net Cash Provided for Investing Activities	<u>3,095</u>	<u>699</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(737,766)	(12,991)
Cash and Cash Equivalents at Beginning of Year	<u>4,780,716</u>	<u>1,511,965</u>
Cash and Cash Equivalents at End of Year	<u>4,042,950</u>	<u>1,498,974</u>
Cash and Cash Equivalents:		
Unrestricted	3,815,936	1,156,165
Restricted	227,014	342,809
	<u>\$ 4,042,950</u>	<u>\$ 1,498,974</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 12,098,371	\$ 15,924,148	\$ 76,101
(8,645,971)	(10,108,277)	(131,588)
(940,545)	(1,942,850)	-
10,464	10,464	-
<u>2,522,319</u>	<u>3,883,485</u>	<u>(55,487)</u>
(4,622,483)	(5,807,409)	-
(2,057)	(2,057)	-
(273,314)	(901,314)	-
(729,882)	(852,308)	-
<u>(5,627,736)</u>	<u>(7,563,088)</u>	<u>-</u>
(484,951)	(665,316)	-
(578,017)	(578,017)	-
<u>(1,062,968)</u>	<u>(1,243,333)</u>	<u>-</u>
3,263,400	3,263,400	-
213,275	217,069	-
<u>3,476,675</u>	<u>3,480,469</u>	<u>-</u>
(691,710)	(1,442,467)	(55,487)
7,239,024	13,531,705	340,695
<u>6,547,314</u>	<u>12,089,238</u>	<u>285,208</u>
6,547,314	11,519,415	285,208
-	569,823	-
<u>\$ 6,547,314</u>	<u>\$ 12,089,238</u>	<u>\$ 285,208</u>

(Continued)

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income	\$ 554,405	\$ 524,712
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	194,851	302,631
Miscellaneous Non-Operating Income	-	-
(Increase) Decrease in Assets:		
Accounts Receivable	10,758	13,620
Prepaid Expenses	508	(758)
Inventories	(13,007)	(7,454)
Increase (Decrease) in Liabilities		
Accounts Payable	(110,694)	(106,710)
Accrued Wages	661	672
Other Accruals	203	132
Accrued Compensated Absences	(808)	(2,556)
Customer Deposits	-	-
Total Adjustments	82,472	199,577
Net Cash Provided by Operating Activities	\$ 636,877	\$ 724,289

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Electric		Activities
Utility	Total	Internal
		Service
<hr/>		<hr/>
\$ 1,899,436	\$ 2,978,553	\$ 70,799
<hr/>		<hr/>
663,573	1,161,055	-
10,464	10,464	-
(867)	23,511	-
9,373	9,123	-
(22,219)	(42,680)	-
(67,200)	(284,604)	(132,759)
1,497	2,830	-
658	993	6,473
5,401	2,037	-
22,203	22,203	-
622,883	904,932	(126,286)
<hr/>	<hr/>	<hr/>
\$ 2,522,319	\$ 3,883,485	\$ (55,487)
<hr/>		<hr/>

See Accompanying Notes to Financial Statements

**CITY OF WEBSTER CITY, IOWA**  
**COMBINED STATEMENT OF FIDUCIARY NET POSTION**  
**Fiduciary Funds**  
**June 30, 2014**

	<b>Totals</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 25,325
<b>Total Assets</b>	<u>25,325</u>
<b>LIABILITIES</b>	
<b>Total Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	25,325
<b>Total Net Position</b>	<u><u>\$ 25,325</u></u>

CITY OF WEBSTER CITY, IOWA  
 COMBINED STATEMENT OF CHANGES IN NET POSITION  
 Fiduciary Funds  
 For the Year Ended June 30, 2014

	Totals
<b>Additions</b>	
Interest Income	\$ 13
Miscellaneous	11,615
<b>Total Additions</b>	<u>11,628</u>
<b>Deductions</b>	
Culture and Recreation	1,799
Changes in Net Position	<u>9,829</u>
Net Position Beginning of Year	<u>15,496</u>
Net Position End of Year	<u><u>\$ 25,325</u></u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Webster City, Iowa is a political subdivision of the State of Iowa located in Hamilton County, and was incorporated in 1874, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government with the council members elected on a non-partisan basis and administers the following functions as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water, sewer, and electric utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Webster City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Webster City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Units**

*Webster City Airport Commission*

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the City. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2014. Separate financial statements are not issued for the Webster City Airport Commission.

*Fuller Trust*

The government-wide financial statements include the Fuller Trust as a component unit.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2014

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public and can provide a financial benefit or burden to the City. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2014. Separate financial statements are not issued for the Fuller Trust.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Hamilton County Assessors' Conference Board, Hamilton County Emergency Management Commission, and Hamilton County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's Medical/Flex internal service fund is also classified as a governmental-type activity.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given



**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.

The City reports the following major proprietary (enterprise) funds:

The Water Utility is used to account for the operation and maintenance of the City's water system.

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

The Electric Utility is used to account for the operation and maintenance of the City owned electric system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust  
Edgar Foster Trust  
Calvary Cemetery Trust

Zella Silvers Trust  
Mulberry Church Trust

Agency funds are used to account for activity of other organizations where the City is responsible for the accounting.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

CITY OF WEBSTER CITY, IOWA  
Notes to Financial Statements  
June 30, 2014

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds, including the airport discretely presented component unit, are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

**Custodial Credit Risk** – the City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the City's investments to this risk, is as follows:

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Certificates of Deposit	\$ 2,500,000	\$ 2,500,000
U. S. Government Issues	\$ 1,528,313	\$ 1,528,313

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2013. Any county collections on the 2013-2014 tax levy remitted to the City within 60 days subsequent to June 30, 2014, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2014 and an estimate of services provided through June 30, 2014 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2014, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Utility Plant	25 – 90 Years
Machinery & Equipment	3 - 30 Years
Infrastructure	20– 100 Years
Land Improvements	50– 100 Years

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not report any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund balances for each of the City's governmental funds (general fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Public Safety, Community and Economic Development and Business-type Activities functions.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2014, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2014, are shown below:

	<b>Primary Government</b>	<b>Fiduciary Funds</b>	<b>Webster City Airport Commission Component Unit</b>	<b>Fuller Trust Component Unit</b>	<b>Fair Value</b>
Demand Deposits	\$ 18,672,181	\$ 25,325	\$ 196,904	\$ 124,502	\$19,018,912
Cash on Hand	1,000	-	-	-	1,000
Time Deposits	2,500,000	-	-	-	2,500,000
	<u>\$ 21,173,181</u>	<u>\$ 25,325</u>	<u>\$ 196,904</u>	<u>\$ 124,502</u>	<u>\$21,519,912</u>

**Fuller Trust – Discretely Presented Component Unit:**

**Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fuller Trust funds do not have custodial credit risk policies for investments.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS -- (Continued)**

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fuller Trust does not have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Fuller Trust's investments to this risk is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 – 5 Years	5 or More Years
Mutual Funds/ETF's	\$ 2,609,330	\$ 2,609,330	\$ -	\$ -
Preferred Stocks	84,395	84,395	-	-
Foreign Agencies	36,365	36,365	-	-
Corporate Bonds	347,770	162,313	185,457	-
	<u>\$ 3,077,860</u>	<u>\$ 2,892,403</u>	<u>\$185,457</u>	<u>\$ -</u>

**Note 3 - RECEIVABLES**

Receivables at June 30, 2014 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$90,745 at June 30, 2014.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as committed fund balance in the fund financial statements.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2014, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Hotel/Motel taxes	\$ 30,787
Due from the Iowa Department of Revenue for Road Use Tax allocation	62,263
Due from the Webster City Airport Commission	55,619
Due from the Iowa Department of Revenue for Local Option Sales taxes	56,318
Total Governmental Funds	<u>\$ 204,987</u>



**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 5 -     INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2014, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Non-Major Governmental	General Fund	\$ 35,710
Electric	Non-Major Governmental	870,050
Non-Major Governmental	Non-Major Governmental	103,802
		<u>\$ 1,009,562</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Prior Period Adjustment	Ending Balance
Capital assets not being depreciated:					
Land	\$ 3,801,799	\$ -	\$ -	\$ (46,090)	\$ 3,755,709
Right of way	786,799	-	-	-	786,799
Construction in progress	821,463	516,885	1,224,972	-	113,376
Total capital assets not being depreciated	5,410,061	516,885	1,224,972	(46,090)	4,655,884
Capital assets being depreciated:					
Land improvements	2,233,981	-	-	-	2,233,981
Structures and improvements	6,914,629	696,004	53,052	-	7,557,581
Machinery and equipment	4,473,524	75,747	49,674	-	4,499,597
Streets	22,367,672	403,835	-	-	22,771,507
Trails and paths	1,913,927	-	-	-	1,913,927
Sidewalks	521,328	-	-	-	521,328
Storm sewers	1,089,554	-	-	-	1,089,554
Bridges	2,111,463	-	-	-	2,111,463
Dam	200,000	-	-	-	200,000
Traffic signals	183,657	-	-	-	183,657
Total capital assets being depreciated	42,009,735	1,175,586	102,726	-	43,082,595
Less: Accumulated depreciation for					
Land improvements	353,736	45,090	-	-	398,826
Structures and improvements	3,371,835	181,769	41,177	-	3,512,427
Machinery and equipment	2,085,130	212,776	46,595	-	2,251,311
Streets	10,714,822	421,396	-	-	11,136,218
Trails and paths	205,846	38,279	-	-	244,125
Sidewalks	232,594	5,248	-	-	237,842
Storm sewers	513,629	12,106	-	-	525,735
Bridges	1,093,160	28,153	-	-	1,121,313
Dam	93,334	6,667	-	-	100,001
Traffic signals	132,232	7,346	-	-	139,578
Total Accumulated Depreciation	18,796,318	958,830	87,772	-	19,667,376
Capital Assets, Net of Depreciation	23,213,417	216,756	14,954	-	23,415,219
Governmental activities capital assets, net	\$ 28,623,478	\$ 733,641	\$ 1,239,926	\$ (46,090)	\$ 28,071,103

Construction in progress is related to street projects and airport improvements.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 21,099
Public Safety	106,105
Public Works, which includes the depreciation of infrastructure	622,025
Culture and Recreation	209,601
	<u>958,830</u>

Total governmental activities - depreciation expense	<u>\$ 958,830</u>
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	Beginning Balance	Additions	Deletions	Prior Period Adjustment	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 773,273	\$ -	\$ -	\$ (249,050)	\$ 524,223
Construction in Progress	8,124,167	-	7,474,613	-	649,554
Total capital assets not being depreciated	<u>8,897,440</u>	<u>-</u>	<u>7,474,613</u>	<u>(249,050)</u>	<u>1,173,777</u>
Capital assets being depreciated:					
Buildings and improvements	3,530,905	-	-	1,388,540	4,919,445
Machinery and equipment	5,889,166	92,719	45,675	-	5,936,210
Utility Plant	48,583,092	11,976,195	-	-	60,559,287
Total capital assets being depreciated	<u>58,003,163</u>	<u>12,068,914</u>	<u>45,675</u>	<u>1,388,540</u>	<u>71,414,942</u>
Less: Accumulated Depreciation	<u>40,733,945</u>	<u>1,161,055</u>	<u>39,576</u>	<u>95,676</u>	<u>41,951,100</u>
Total capital assets being depreciated, net	<u>17,269,218</u>	<u>10,907,859</u>	<u>6,099</u>	<u>1,292,864</u>	<u>29,463,842</u>
Business-type activities capital assets, net	<u>\$26,166,658</u>	<u>\$ 10,907,859</u>	<u>\$ 7,480,712</u>	<u>\$ 1,043,814</u>	<u>\$30,637,619</u>

Construction in progress at June 30, 2014 consisted of costs associated with the water, wastewater and electric system improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Water	\$ 194,851
Sewer	302,631
Electric	663,573
	<u>1,161,055</u>
Total depreciation expense – business-type activities	<u>\$ 1,161,055</u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Component Unit:</b>				
Capital assets being depreciated:				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Total capital assets being depreciated	42,000	-	-	42,000
Less: Accumulated Depreciation	11,340	840	-	12,180
Total capital assets being depreciated, net	\$ 30,660	\$ (840)	\$ -	\$ 29,820

**Reconciliation of Net Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Fuller Trust Component Unit
Land	\$ 4,542,508	\$ 524,223	\$ -
Construction in Progress	113,376	649,554	-
Capital Assets (net of accumulated depreciation)	23,415,219	29,463,842	29,820
Less: General Obligation Bonds Payable	(1,820,240)	(70,000)	-
Revenue Bonds	(2,001,445)	(12,770,575)	-
Net Investment in Capital Assets	\$ 24,249,418	\$ 17,797,044	\$ 29,820

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT (Continued)**

General obligation bonds outstanding as of June 30, 2014 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/14	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Debt						
Corporate purpose bonds	11/01/11	06/01/18	1.75%	\$ 645,000	\$ 390,000	\$ 950,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 – 3.95%	1,280,000	300,000	145,000
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	1,330,000	320,000	145,000
Corporate purpose bonds	11/01/10	06/01/20	2.00 – 2.90%	1,290,000	795,000	125,000
Total Governmental Activities – General Obligation Debt					<u>\$ 1,805,000</u>	<u>\$ 510,000</u>
<b>Business-Type Activities</b>						
General Obligation Debt						
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	\$ 365,000	<u>\$ 70,000</u>	<u>\$ 70,000</u>

The balances shown on the Statement of Net Position is net of unamortized bond premiums of \$15,240.

**Advance Refunding**

On November 1, 2008, the City issued \$1,695,000 of General Obligation Bonds, Series 2009, with an average interest rate of 2.125%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.2% to 3.05% with annual maturities from June 2010 through June 2017. The net proceeds of \$1,655,275 (after issuance costs of \$39,725) were used to advance refund various series of bonds with a total principal amount of \$1,695,000 and an average interest rate of 4.02%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$101,000.

On November 1, 2011, the City issued \$645,000 of General Obligation Bonds, Series 2011A, with an interest rate of 1.75%. The bonds consist of serial bonds with annual maturities from June 2012 through June 2018. The net proceeds of \$628,270 were used to advance refund Series 2003A General Obligation Bond with a total principal amount of \$625,000 and an average interest rate of approximately 3%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$33,000.

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 510,000	\$ 45,280	\$ 70,000	\$ 3,531
2016	460,000	33,295	-	-
2017	320,000	20,407	-	-
2018	240,000	12,985	-	-
2019	140,000	4,060	-	-
2020	135,000	7,773	-	-
Total	<u>\$ 1,805,000</u>	<u>\$ 123,800</u>	<u>\$ 70,000</u>	<u>\$ 3,531</u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT (Continued)**

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities.

Revenue bonds outstanding at June 30, 2014 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/14	Due Within One Year
<b>Governmental Activities</b>						
Revenue Debt:						
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	<u>\$ 2,001,445</u>	<u>\$ -</u>
<b>Business-Type Activities</b>						
Revenue Debt:						
<u>Sewer Utility</u>						
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	1,497,000	226,000
Revenue bonds	01/10/06	06/01/15	3.30 – 4.10%	1,815,000	<u>220,000</u>	<u>220,000</u>
Total Sewer Utility					<u>1,717,000</u>	<u>446,000</u>
<u>Water Utility</u>						
Revenue Bonds	06/01/12	06/01/32	0.60 – 3.25%	3,200,000	<u>2,925,000</u>	<u>140,000</u>
<u>Electric Utility</u>						
Revenue Bonds	05/01/12	11/01/37	2.25 – 5.65%	\$ 14,915,000	<u>14,641,686</u>	<u>136,686</u>
Total Business Type Activities					<u>\$19,283,686</u>	<u>\$ 722,686</u>

The balances shown on the Statement of Net Position is net of unamortized premiums of \$15,201.

Debt service requirements to maturity are as follows:

<b>Business-type Activities Revenue Debt</b>			
<b>Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 722,686	\$ 852,742	\$ 1,575,428
2016	795,000	826,457	1,621,457
2017	814,000	808,697	1,622,697
2018	839,000	789,883	1,628,883
2019	859,000	768,278	1,627,278
2020-2024	3,549,000	3,473,036	7,022,036
2025-2029	4,005,000	2,741,113	6,746,113
2030-2034	4,650,000	1,673,832	6,323,832
2035-3037	3,050,000	371,940	3,421,940
	<u>\$19,283,686</u>	<u>\$12,305,978</u>	<u>\$31,589,664</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2014.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7 - LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation	\$ 2,310,000	\$ -	\$ 505,000	\$ 1,805,000	\$ 510,000
Revenue Bonds	2,035,662	-	34,217	2,001,445	-
Compensated Absences	280,054	252,431	280,054	252,431	128,213
Other Post Employment Benefits	41,704	-	-	41,704	-
Governmental Activity Long-Term Liabilities	<u>\$ 4,667,420</u>	<u>\$ 252,431</u>	<u>\$ 819,271</u>	<u>\$ 4,100,580</u>	<u>\$ 638,213</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General Obligation	\$ 135,000	\$ -	\$ 135,000	\$ -	\$ -
Revenue Bonds	20,120,000	-	836,314	19,283,686	722,686
Compensated Absences	207,811	209,848	207,811	209,848	109,272
Other Post Employment Benefits	16,682	-	-	16,682	-
Business-Type Activity Long-Term Liabilities	<u>\$20,479,493</u>	<u>\$ 209,848</u>	<u>\$ 1,179,125</u>	<u>\$ 19,510,216</u>	<u>\$ 831,958</u>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	General	Non Major Governmental	Total Transfer Out
Electric	\$ 484,951	\$ -	\$ 484,951
Water	96,247	-	96,247
Sewer	84,117	-	84,117
General	-	247	247
Non-Major	51,877	520,155	572,032
Total Transfer In	<u>\$ 717,192</u>	<u>\$ 520,402</u>	<u>\$ 1,237,594</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 9- PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered payroll except for, fire employees, in which case, the percentages are actuarially determined, and police employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$224,056, \$220,572, and \$203,954, respectively, equal to the required contributions for each year.

**Municipal Fire and Police Retirement System of Iowa** – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate cannot be less than 30.12% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2014, 2013 and 2012 were \$239,915, \$207,316, and \$193,690, respectively, which met the required minimum contribution for each year.

**Employee Vision and Dental Plan** – The City of Webster City Medical/Flex Insurance Fund was established to account for the City's medical and flex benefit plan. The City has entered into an administrative services agreements with Employee Benefits System, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Wellmark Blue Cross and Blue Shield from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The City has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

All funds of the City participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.



**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 9- PENSION AND RETIREMENT (Continued)**

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

***Claims Liability***

	<b>Prior Year</b>	<b>Current Year</b>
Unpaid claims, beginning of fiscal year	\$ 8,245	\$ 6,527
Current year claims and changes in estimates	138,986	59,105
Claim payments	(140,704)	(52,632)
Unpaid claims, end of fiscal year	<u>\$ 6,527</u>	<u>\$ 13,000</u>

**Note 10 - DEFICIT FUND EQUITY**

The City has five funds with deficit equity balances at June 30, 2013. The City intends to finance these deficits from various resources including; TIF Receipts, fund transfers, and note payments.

The individual fund deficits were as follows:

Nonmajor – Second Street Reconstruction .....	\$ 639,809
Nonmajor – Urban Renewal Southeast TIF .....	25,891
Nonmajor – Urban Renewal Southwest TIF .....	226,212
Nonmajor – City Hall Plaza .....	155
Nonmajor – Webster City Federal TIF .....	1,528
Nonmajor – Van Diest TIF .....	2,500

**Note 11- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**Note 12- COMMITMENTS**

During the year ended June 30, 2014, the City had entered into several construction contracts totaling approximately \$2,495,000 of which approximately \$2,309,000 has been expended to date. The remaining balance will be paid as work progresses.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 13 - CONTINGENCY**

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the City. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the City agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1, and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the City, but shall be paid solely and only from incremental property taxes received by the City from the Hamilton County Treasurer which are attributable to each individual project.

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the City of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the City, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark Blue Cross and Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,260
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	14,260
Contributions made	14,260
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	58,386
Net OPEB obligation end of year	\$ 58,386

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 14,709	0%	\$ 14,709
June 30, 2010	\$ 14,709	0%	\$ 29,418
June 30, 2011	\$ 14,708	0%	\$ 44,126
June 30, 2012	\$ 14,260	0%	\$ 58,386
June 30, 2013	\$ -	0%	\$ 58,386
June 30, 2014	\$ -	0%	\$ 58,386

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$144,336, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$144,336. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,530,000 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is a pay as you go plan implemented this year therefore there is no schedule of funding progress presented.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

**Note 15 - PRIOR PERIOD ADJUSTMENT**

It was noted that a building acquired several years ago was capitalized at the wrong amount and land disposed of several years ago was still listed as an asset. Also, a prior year due to/from other funds was inadvertently omitted. A summary of the changes is as follows:

	Governmental Activities	Nonmajor Governmental	Electric	Water	Sewer
Unrecorded Buildings –					
Net of Accumulated Depreciation	\$ -	\$ -	\$1,146,365	\$ -	\$ -
To Properly Record the Due To/From	-	(244,906)	244,906	-	-
Previously Disposed of Land	(46,090)	-	-	(87,900)	(14,650)
	<u>\$ (46,090)</u>	<u>\$ (244,906)</u>	<u>\$1,391,271</u>	<u>\$(87,900)</u>	<u>\$(14,650)</u>

**Note 16 – PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**CITY OF WEBSTER CITY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**

**Governmental Funds and Proprietary Funds**

**For the Year Ended June 30, 2014**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>
Receipts:		
Taxes	\$ 3,580,731	\$ -
Special Assessments	-	-
Licenses and Permits	128,676	-
Intergovernmental Revenue	1,695,015	-
Charges for Services	456,566	15,901,627
Revenue from Use of Property	182,924	227,533
Miscellaneous	363,226	1,373
Total receipts	<u>6,407,138</u>	<u>16,130,533</u>
Disbursements:		
Public Safety	2,307,839	-
Public Works	1,233,016	-
Health and Social Services	12,440	-
Culture and Recreation	928,602	-
Community and Economic Development	440,492	-
General Government	301,360	-
Capital Projects	614,073	-
Debt Service	685,221	-
Business-Type Activities		19,349,043
Total disbursements	<u>6,523,043</u>	<u>19,349,043</u>
Excess (deficiency) of receipts over disbursements	<u>(115,905)</u>	<u>(3,218,510)</u>
Other financing sources (uses):		
Transfers In	1,237,594	-
Transfers Out	(572,279)	(665,315)
Total other financing sources (uses)	<u>665,315</u>	<u>(665,315)</u>
Net Change in Balances	549,410	(3,883,825)
Balances - beginning of year	6,048,374	19,921,426
Balances - end of year	<u>\$ 6,597,784</u>	<u>\$ 16,037,601</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,580,731	\$ 3,585,960	\$ 3,585,960	\$ (5,229)
-	1,500	1,500	(1,500)
128,676	117,687	117,687	10,989
1,695,015	1,655,015	1,512,515	182,500
16,358,193	15,315,232	15,315,232	1,042,961
410,457	372,351	310,351	100,106
364,599	1,095,634	1,095,634	(731,035)
22,537,671	22,143,379	21,938,879	598,792
2,307,839	2,207,167	2,207,167	(100,672)
1,233,016	1,623,258	1,623,258	390,242
12,440	63,885	63,885	51,445
928,602	1,064,609	1,064,609	136,007
440,492	362,845	362,845	(77,647)
301,360	350,340	350,340	48,980
614,073	630,000	630,000	15,927
685,221	757,582	757,582	72,361
19,349,043	15,361,259	15,361,259	(3,987,784)
25,872,086	22,420,945	22,420,945	(3,451,141)
(3,334,415)	(277,566)	(482,066)	(2,852,349)
1,237,594	2,855,025	3,189,857	(1,952,263)
(1,237,594)	(2,855,025)	(3,189,857)	1,952,263
-	-	-	-
(3,334,415)	(277,566)	(482,066)	(2,852,349)
25,969,800	25,969,800	25,969,800	-
\$ 22,635,385	\$ 25,692,234	\$ 25,487,734	\$ (2,852,349)

**CITY OF WEBSTER CITY, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**For the Year Ended June 30, 2014**

	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified/Full Accrual Basis</b>
Revenue:			
Taxes	\$ 3,580,731	\$ 137,000	\$ 3,717,731
Licenses and Permits	128,676	(14,338)	114,338
Intergovernmental Revenue	1,695,015	(154,693)	1,540,322
Charges for Services	16,358,193	1,464	16,359,657
Fines and Forfeits	-	8,261	8,261
Contributions	-	25,438	25,438
Refunds/Reimbursements	-	163,872	163,872
Revenue from Use of Property	410,457	(255,710)	154,747
Interest on Investments	-	244,110	244,110
Miscellaneous	364,599	(83,958)	280,641
Total Revenue	<u>22,537,671</u>	<u>71,446</u>	<u>22,609,117</u>
Expenditures/Expenses:			
Public Safety	2,307,839	(215,743)	2,092,096
Public Works	1,233,016	90,740	1,323,756
Health and Social Services	12,440	23,059	35,499
Culture and Recreation	928,602	200,187	1,128,789
Community and Economic Development	440,492	(111,175)	329,317
General Government	301,360	(100,074)	201,286
Capital Projects	614,073	(98,681)	515,392
Debt Service	685,221	-	685,221
Business-Type Activities	19,349,043	(5,586,648)	13,762,395
Total Expenditures/Expenses	<u>25,872,086</u>	<u>(5,798,335)</u>	<u>20,073,751</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(3,334,415)</u>	<u>5,869,781</u>	<u>2,535,366</u>
Other financing sources (uses):			
Transfers In	1,237,594	-	1,237,594
Transfers Out	<u>(1,237,594)</u>	<u>-</u>	<u>(1,237,594)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	<u>(3,334,415)</u>	<u>5,869,781</u>	<u>2,535,366</u>
Fund Balance/Retained Earnings - beginning of year	25,969,800	12,493,413	38,463,213
Prior Period Adjustment	-	-	1,043,815
Fund Balance/Retained Earnings - beginning of year, as Restated	<u>25,969,800</u>	<u>12,493,413</u>	<u>39,507,028</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 22,635,385</u>	<u>\$ 18,363,194</u>	<u>\$ 42,042,394</u>

**CITY OF WEBSTER CITY, IOWA**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2014**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. The budget was amended once during the year.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, community and economic development and business-type activities functions.



CITY OF WEBSTER CITY, IOWA  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$3,367,000	4.6%
July 1, 2012	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%
July 1, 2013	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%
July 1, 2014	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF WEBSTER CITY, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
June 30, 2014

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
<b>Assets</b>					
Cash and Cash Equivalents	\$ 70,620	\$ 24,045	\$ 46,890	\$ 17,889	\$ 1,044,359
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	-	-	-	-	-
Taxes	1,020	1,004	3,447	6	-
Subsequent Year Taxes	144,527	142,443	488,767	805	-
Accrued Interest	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	176	920	42	35,710
Due from Other Governmental Agencies	-	-	-	-	62,263
Inventories	-	-	-	-	57,172
<b>Total Assets</b>	<b>216,167</b>	<b>167,668</b>	<b>540,024</b>	<b>18,742</b>	<b>1,199,504</b>
<b>Liabilities</b>					
Accounts Payable	-	-	-	-	64,608
Accrued Wages	-	-	-	-	758
Other Accrued Expenses	-	-	-	-	47
Due to Other Funds	1,515	-	-	-	-
<b>Total Liabilities</b>	<b>1,515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,413</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Subsequent Year Property Taxes	144,527	142,443	488,767	805	-
Unavailable Revenue - Other	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>144,527</b>	<b>142,443</b>	<b>488,767</b>	<b>805</b>	<b>-</b>
<b>Fund Balances</b>					
Non-Spendable:					
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	70,125	25,225	51,257	17,937	-
Streets	-	-	-	-	1,134,091
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>70,125</b>	<b>25,225</b>	<b>51,257</b>	<b>17,937</b>	<b>1,134,091</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 216,167</b>	<b>\$ 167,668</b>	<b>\$ 540,024</b>	<b>\$ 18,742</b>	<b>\$ 1,199,504</b>

Special Revenue Funds									
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview		
\$ 6,636	\$ -	\$ 1,201	\$ 3,419	\$ 921,933	\$ 113,276	\$ -	\$ -		
-	-	-	-	300,000	-	-	-		-
-	-	-	-	632	-	-	-		-
1,822	-	-	-	-	-	-	-		-
258,240	-	-	-	-	-	27,582	12,898		-
-	-	-	-	454	95	-	-		-
-	-	-	-	97,258	26,851	-	-		-
376	-	-	-	101,376	912	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
267,074	-	1,201	3,419	1,421,653	141,134	27,582	12,898		-
-	-	-	-	9,188	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	912	-	-	-		-
-	-	-	-	10,100	-	-	-		-
258,240	-	-	-	-	-	27,582	12,898		-
324	-	-	-	97,258	26,851	-	-		-
258,564	-	-	-	97,258	26,851	27,582	12,898		-
-	-	-	-	-	-	-	-		-
8,510	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	1,201	3,419	-	-	-	-		-
-	-	-	-	1,314,295	114,283	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-		-
8,510	-	1,201	3,419	1,314,295	114,283	-	-		-
\$ 267,074	\$ -	\$ 1,201	\$ 3,419	\$ 1,421,653	\$ 141,134	\$ 27,582	\$ 12,898		-

CITY OF WEBSTER CITY, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 June 30, 2014

	Special Revenue Funds			
	Urban Renewal	Urban Renewal		Urban Renewal
	TIF Hy-Vee	TIF Brewer Creek	SSMID	TIF Struchen
<b>Assets</b>				
Cash and Pooled Investments	\$ -	\$ 64,219	\$ 10,965	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	48,155	-	9,190	59,754
Accrued Interest	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Inventories	-	-	-	-
<b>Total Assets</b>	<b>48,155</b>	<b>64,219</b>	<b>20,155</b>	<b>59,754</b>
<b>Liabilities:</b>				
Accounts Payable	-	-	3,830	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,830</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Subsequent Year Property Taxes	48,155	-	9,190	59,754
Unavailable Revenue - Other	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>48,155</b>	<b>-</b>	<b>9,190</b>	<b>59,754</b>
<b>Fund Balances:</b>				
Non-Spendable:				
Permanent Fund	-	-	-	-
Restricted:				
Specific Tax Levy	-	64,219	7,135	-
Streets	-	-	-	-
Committed:				
Police Activities	-	-	-	-
Economic Development Activities	-	-	-	-
Community Development Activities	-	-	-	-
Assigned:				
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>64,219</b>	<b>7,135</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 48,155</b>	<b>\$ 64,219</b>	<b>\$ 20,155</b>	<b>\$ 59,754</b>

Special Revenue Funds							
Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Wilson Brewer Park Depot	Webster City Pride	First State Bank TIF	Infinity TIF
\$ 43,954	\$ -	\$ 75,485	\$ -	\$ 30,158	\$ 9,076	\$ -	\$ 15,764
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,277	-	60,319	-	-	15,000	30,134
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,954	4,277	75,485	60,319	30,158	9,076	15,000	45,898
-	-	-	-	-	2,592	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	101,376	226,212	-	-	-	-
-	-	101,376	226,212	-	2,592	-	-
-	4,277	-	60,319	-	-	15,000	30,134
-	-	-	-	-	-	-	-
-	4,277	-	60,319	-	-	15,000	30,134
-	-	-	-	-	-	-	-
43,954	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	30,158	6,484	-	15,764
-	-	-	-	-	-	-	-
-	-	(25,891)	(226,212)	-	-	-	-
43,954	-	(25,891)	(226,212)	30,158	6,484	-	15,764
\$ 43,954	\$ 4,277	\$ 75,485	\$ 60,319	\$ 30,158	\$ 9,076	\$ 15,000	\$ 45,898

CITY OF WEBSTER CITY, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
June 30, 2014

	Special Revenue Funds			Capital Project Fund
	Webster City Federal TIF	Van Diest Medical Center TIF	Urban Renewal TIF Bean	Brewer Creek Estates
<b>Assets</b>				
Cash and Pooled Investments	\$ -	\$ -	\$ 421	\$ 22,349
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Accrued Interest	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Inventories	-	-	-	-
<b>Total Assets</b>	-	-	421	22,349
<b>Liabilities:</b>				
Accounts Payable	-	-	-	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	1,528	2,500	-	-
<b>Total Liabilities</b>	1,528	2,500	-	-
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Subsequent Year Property Taxes	-	-	-	-
Unavailable Revenue - Other	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	-	-	-	-
<b>Fund Balances:</b>				
Non-Spendable:				
Permanent Fund	-	-	-	-
Restricted:				
Specific Tax Levy	-	-	421	-
Streets	-	-	-	-
Committed:				
Police Activities	-	-	-	-
Economic Development Activities	-	-	-	-
Community Development Activities	-	-	-	-
Assigned:				
Capital Projects	-	-	-	22,349
Unassigned	(1,528)	(2,500)	-	-
<b>Total Fund Balances</b>	(1,528)	(2,500)	421	22,349
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	\$ -	\$ -	\$ 421	\$ 22,349

[illegible]

CITY OF WEBSTER CITY, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 June 30, 2014

	Capital Project Funds			Permanent	Total
	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
<b>Assets</b>					
Cash and Pooled Investments	\$ 590,024	\$ 149	\$ -	\$ 416,928	\$ 3,710,838
Investments	-	-	-	-	300,000
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	-	-	-	-	632
Taxes	-	-	-	-	7,299
Subsequent Year Taxes	-	-	-	-	1,302,091
Accrued Interest	2,119	-	-	-	2,668
Notes Receivable	-	-	-	-	124,109
Due from Other Funds	-	-	-	-	139,512
Due from Other Governmental Agencies	56,318	-	-	-	118,581
Inventories	-	-	-	-	57,172
<b>Total Assets</b>	<b>648,461</b>	<b>149</b>	<b>-</b>	<b>416,928</b>	<b>5,762,902</b>
<b>Liabilities:</b>					
Accounts Payable	-	-	155	-	82,857
Accrued Wages	-	-	-	-	758
Other Accrued Expenses	-	-	-	-	47
Due to Other Funds	-	-	-	-	973,852
	-	-	155	-	1,057,514
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Subsequent Year Property Taxes	-	-	-	-	1,302,091
Deferred Revenue	-	-	-	-	124,433
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,426,524</b>
<b>Fund Balances:</b>					
Non-Spendable:					
Permanent Fund	-	-	-	416,928	416,928
Restricted:					
Specific Tax Levy	-	-	-	-	288,783
Streets	648,461	-	-	-	1,782,552
Committed:					
Streets	-	-	-	-	4,620
Streets	-	-	-	-	1,428,578
Streets	-	-	-	-	52,406
Assigned:					
Capital Projects	-	149	-	-	201,092
Unassigned	-	-	(155)	-	(896,095)
	<b>648,461</b>	<b>149</b>	<b>(155)</b>	<b>416,928</b>	<b>3,278,864</b>
	<b>\$ 648,461</b>	<b>\$ 149</b>	<b>\$ -</b>	<b>\$ 416,928</b>	<b>\$ 5,762,902</b>



CITY OF WEBSTER CITY, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
Revenue:					
Taxes	\$ 150,435	\$ 140,100	\$ 432,745	\$ 1,302	\$ -
Intergovernmental Revenue	-	-	-	-	801,994
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	150,435	140,100	432,745	1,302	801,994
Expenditures:					
Public Safety	51,278	88,475	260,080	3,049	-
Public Works	48,997	16,517	88,888	821	588,629
Culture and Recreation	65,661	13,985	74,942	1,305	-
Community and Economic Development	15,433	572	29,439	267	-
General Government	10,277	241	13,344	178	-
Capital Projects	-	-	-	-	-
Total Expenditures	191,646	119,790	466,693	5,620	588,629
Excess (deficiency) of revenues over expenditures	(41,211)	20,310	(33,948)	(4,318)	213,365
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(216,634)
Total other financing sources (uses)	-	-	-	-	(216,634)
Net Change in Fund Balance	(41,211)	20,310	(33,948)	(4,318)	(3,269)
Fund balances (deficits) -beginning of year	111,336	4,915	85,205	22,255	1,137,360
Prior Period Adjustments	-	-	-	-	-
Fund balances (deficits) -beginning of year (as restated)	111,336	4,915	85,205	22,255	1,137,360
Fund balances (deficits) - end of year	\$ 70,125	\$ 25,225	\$ 51,257	\$ 17,937	\$ 1,134,091

Special Revenue Funds								
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	
\$ 269,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,374	\$ 13,270	
-	2,200	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	2	2,073	62	-	-	
-	-	-	500	2,457	9,148	-	-	
269,025	2,200	-	502	4,530	9,210	18,374	13,270	
238,567	2,447	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	23,308	461	12,068	-	
-	-	-	-	-	-	-	-	
238,567	2,447	-	-	23,308	461	12,068	-	
30,458	(247)	-	502	(18,778)	8,749	6,306	13,270	
-	247	-	-	24,801	-	-	-	
-	-	-	-	-	-	(6,306)	(13,354)	
-	247	-	-	24,801	-	(6,306)	(13,354)	
30,458	-	-	502	6,023	8,749	-	(84)	
(21,948)	-	1,201	2,917	1,308,272	105,534	-	84	
-	-	-	-	-	-	-	-	
(21,948)	-	1,201	2,917	1,308,272	105,534	-	84	
\$ 8,510	\$ -	\$ 1,201	\$ 3,419	\$ 1,314,295	\$ 114,283	\$ -	\$ -	

CITY OF WEBSTER CITY, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds			
	Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen
Revenue:				
Taxes	\$ 46,501	\$ -	\$ 8,712	\$ 53,140
Intergovernmental Revenue	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	-	-	-	-
Interest	-	40	-	-
Miscellaneous	-	-	275	-
Total Revenue	46,501	40	8,987	53,140
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	46,501	-	8,769	34,645
General Government	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	46,501	-	8,769	34,645
Excess (deficiency) of revenues over expenditures	-	40	218	18,495
Other financing sources (uses):				
Transfers In	-	-	540	-
Transfers Out	-	-	-	(18,495)
Total other financing sources (uses)	-	-	540	(18,495)
Net Change in Fund Balance	-	40	758	-
Fund balances (deficits) -beginning of year	-	64,179	6,377	-
Prior Period Adjustments	-	-	-	-
Fund balances (deficits) -beginning of year (as restated)	-	64,179	6,377	-
Fund balances (deficits) - end of year	\$ -	\$ 64,219	\$ 7,135	\$ -

Special Revenue Funds								
Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Wilson Brewer Park Depot	Webster City Pride	First State Bank TIF	Infinity TIF	
\$ -	\$ 4,276	\$ -	\$ 66,702	\$ -	\$ -	\$ 15,000	\$ 31,529	
-	-	-	-	-	-	-	-	
-	-	-	-	424	8,344	-	-	
-	-	-	-	-	-	-	-	
27	-	47	-	9	-	-	-	
-	-	-	-	11,345	468	-	-	
27	4,276	47	66,702	11,778	8,812	15,000	31,529	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	512	4,497	-	-	
-	4,276	-	-	-	-	15,000	15,765	
-	-	-	-	-	-	-	-	
-	4,276	-	-	512	4,497	15,000	15,765	
27	-	47	66,702	11,266	4,315	-	15,764	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
27	-	47	66,702	11,266	4,315	-	15,764	
43,927	-	(25,938)	(398,008)	18,892	2,169	-	-	
-	-	-	105,094	-	-	-	-	
43,927	-	(25,938)	(292,914)	18,892	2,169	-	-	
\$ 43,954	\$ -	\$ (25,891)	\$ (226,212)	\$ 30,158	\$ 6,484	\$ -	\$ 15,764	

CITY OF WEBSTER CITY, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
June 30, 2014

	Special Revenue Funds			Capital Project Funds
	Webster City Federal TIF	Van Diest Medical Center TIF	Urban Renewal TIF Bean	Brewer Creek Estates
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	4,000	-	-	-
Interest	-	-	-	14
Miscellaneous	-	-	-	-
Total Revenue	4,000	-	-	14
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	5,528	2,500	-	-
General Government	-	-	-	-
Capital Projects	-	-	-	75
Total Expenditures	5,528	2,500	-	75
Excess (deficiency) of revenues over expenditures	(1,528)	(2,500)	-	(61)
Other financing sources (uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	(1,528)	(2,500)	-	(61)
Fund balances (deficits) -beginning of year	-	-	421	22,410
Prior Period Adjustments	-	-	-	-
Fund balances (deficits) -beginning of year (as restated)	-	-	421	22,410
Fund balances (deficits) - end of year	\$ (1,528)	\$ (2,500)	\$ 421	\$ 22,349

[illegible]

CITY OF WEBSTER CITY, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
For the Year Ended June 30, 2014

	Capital Project Funds			Permanent	Total
	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,251,111
Intergovernmental Revenue	704,496	-	-	-	1,506,490
Contributions	-	-	-	-	10,968
Refunds/Reimbursements	-	-	-	-	4,000
Interest	280	-	-	-	2,554
Miscellaneous	466	-	-	3,476	28,135
Total Revenue	705,242	-	-	3,476	2,803,258
Expenditures:					
Public Safety	-	-	-	-	643,896
Public Works	-	-	-	-	743,852
Culture and Recreation	-	-	-	-	160,902
Community and Economic Development	-	-	-	-	214,532
General Government	-	-	-	-	24,040
Capital Projects	-	-	-	-	515,392
Total Expenditures	-	-	-	-	2,302,614
Excess (deficiency) of revenues over expenditures	705,242	-	-	3,476	500,644
Other financing sources (uses):					
Transfers In	2,737	-	-	-	520,402
Transfers Out	(314,506)	-	-	-	(572,032)
Total other financing sources (uses)	(311,769)	-	-	-	(51,630)
Net Change in Fund Balance	393,473	-	-	3,476	449,014
Fund balances (deficits) -beginning of year	604,988	149	(155)	413,452	3,074,756
Prior Period Adjustments	(350,000)	-	-	-	(244,906)
Fund balances (deficits) -beginning of year (as restated)	254,988	149	(155)	413,452	2,829,850
Fund balances (deficits) - end of year	\$ 648,461	\$ 149	\$ (155)	\$ 416,928	\$ 3,278,864

**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
Fiduciary Funds  
June 30, 2014

	Trust Funds					
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,777	\$ 2,066	\$ 5,003	\$ 3,056	\$ 13,423	\$ 25,325
<b>Total Assets</b>	<b>1,777</b>	<b>2,066</b>	<b>5,003</b>	<b>3,056</b>	<b>13,423</b>	<b>25,325</b>
<b>LIABILITIES</b>						
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Unrestricted	1,777	2,066	5,003	3,056	13,423	25,325
<b>Total Net Position</b>	<b>\$ 1,777</b>	<b>\$ 2,066</b>	<b>\$ 5,003</b>	<b>\$ 3,056</b>	<b>\$ 13,423</b>	<b>\$ 25,325</b>



**CITY OF WEBSTER CITY, IOWA**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	Trust Funds					
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
<b>Additions</b>						
Interest Income	\$ 1	\$ 1	\$ 3	\$ 2	\$ 6	\$ 13
Miscellaneous	-	-	-	-	11,615	11,615
<b>Total Additions</b>	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>11,621</u>	<u>11,628</u>
<b>Deductions</b>						
Culture and Recreation	25	25	-	25	1,724	1,799
Changes in Net Position	<u>(24)</u>	<u>(24)</u>	<u>3</u>	<u>(23)</u>	<u>9,897</u>	<u>9,829</u>
Net Position Beginning of Year	1,801	2,090	5,000	3,079	3,526	15,496
Net Position End of Year	<u>\$ 1,777</u>	<u>\$ 2,066</u>	<u>\$ 5,003</u>	<u>\$ 3,056</u>	<u>\$ 13,423</u>	<u>\$ 25,325</u>

**CITY OF WEBSTER CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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**Part I: Summary of the Independent Auditors' Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**II-A-14    Financial Reporting**

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables and payables.

Conclusion – Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-14 - Certified Budget – Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the Public Safety, Community and Economic Development and Business-type Activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-14 - Questionable Expenditures - We noted no questionable expenditures during our audit.

- III-C-14 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF WEBSTER CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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**Part III: Other Findings Related to Statutory Reporting (Continued):**

- III-D-14 - Business Transactions – Business transactions between the City and City officials are detailed as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction/Description</b>	<b>Amount</b>
Tile Pros, Inc. – Brandon Hayes, Fireman	Contractor	\$20,110

The transaction with Brandon Hayes does not represent a conflict of interest as the majority of these expenditures were competitively bid.

- III-E-14 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-14 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- III-G-14 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- III-H-14 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-14 - Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council  
City of Webster City, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the CITY OF WEBSTER CITY, IOWA, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Webster City, Iowa's basic financial statements, and have issued our report thereon dated February 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Webster City, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Webster City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-14 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Webster City, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial

instances of noncompliance or other matters that are described in Part III of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Webster City, Iowa's Response to Findings**

The City of Webster City, Iowa's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Webster City, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Webster City, Iowa during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
February 6, 2015